

## BOOKS

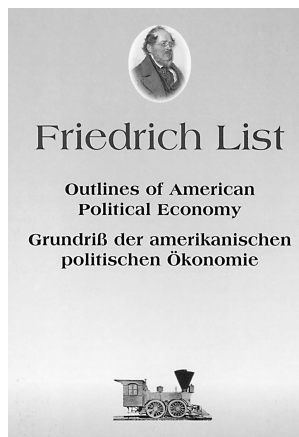
# Economic Wealth Flows from the Mind

The release of this book has come none too soon. As the world is in the process of a financial meltdown—a disintegration of the global monetary system—the writings of Friedrich List offer the conceptual basis for avoiding such economic chaos and destruction.

Following the fall of communism, the world has been dominated exclusively by the doctrines of free trade. It is the adherence to the “freedom of the markets” that has driven the financial and monetary system past the point where it can be saved, except by cutting out the core of the disease: the axioms of the free trade ideology itself. However, fortunately, there has existed for over two hundreds years, an alternative to both Marxism and free trade. Although virtually unknown today, the American System of Political Economy came into existence in the young American republic as a form of political economy explicitly opposed to the British-centered free trade methods of colonial looting. And the historical record has shown conclusively, that whenever American System economics has been practiced, it works! Friedrich List was a leader of this school of thought, which makes the release of his early writings so valuable to all German and English readers.

This book is divided into three sections, all in English with German translation on the facing page. It begins with List’s twelve letters, followed by an historical and political commentary by Michael Liebig, and concludes with an essay by Lyndon H. LaRouche, Jr., entitled “Leibniz and the List Hypothesis.”

List’s *Outlines of American Political Economy*, in the form of twelve letters written between July 10 and July 27, 1827, during the period in which he lived in the United States, together with the larger work written in 1841, *The National System of Political Economy*, provide the most thorough and devas-



**Outlines of American Political Economy, in Twelve Letters to Charles J. Ingersoll**  
by Friedrich List  
with a Commentary by Michael Liebig, and an Epilogue by Lyndon H. LaRouche, Jr.  
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Wiesbaden, Germany, 1996  
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tating refutation of Adam Smith’s free trade lunacy.

The *Outlines* were first published in the U.S. in the *National Gazette*, between August and November in 1827, under the title of “The American System.” Later that same year, the Society for the Promotion of Manufacturing and Mechanical Arts in Pennsylvania, whose vice president was Charles Jared Ingersoll, published the letters in a pamphlet. The Pennsylvania Society had been initiated in 1787 by Tench Coxe, Alexander Hamilton’s Treasury assistant, and later was headed by Mathew Carey, the father of President Lincoln’s economic adviser Henry Carey. Deployed into this hotbed of Hamiltonian American System thinkers by his pro-American, European co-conspirator the Marquis de Lafayette, List was able to mature his earlier disagreements with Adam Smith’s theories. In his letters and later writings, List provided sound reasons for the necessity of the nation-

state to exercise “protectionist” and “dirigist” measures, to guarantee its political and economic sovereignty for the welfare of its citizens.

### Refuting Adam Smith

In the first letter to Charles Ingersoll, List writes: “I confine my exertions, therefore, solely to the refutation of the theory of Adam Smith and Co., the fundamental errors of which have not been understood so clearly as they ought to be. It is this theory, sir, which furnishes to the opponents of the American System the intellectual means of their opposition.”

Later on in the same letter, List makes fun of Americans, were they to be so foolish as to follow the nostrums of Smith, by suggesting how future historians would commemorate the decline of the U.S.: “They were a great people, they were in every respect in the way to becoming the first people on Earth; but they became weak and died, trusting in the infallibility—not of a Pope nor a king—but of two books imported into the country, one written by a Scotchman. . . .” Here he is referring to Adam Smith’s *An Inquiry into the Nature and Causes of the Wealth of Nations*, written in 1776.

The British Empire’s foreign minister, Lord Shelburne, personally instructed Adam Smith to write the *Wealth of Nations* in 1763, to subvert the American System revolution already underway in the colonies. The revolution succeeded, but British did not give up, and have not given up, their quest.

In his ninth letter, List discusses England’s manipulations: “Her aim was always and ever to raise her manufactures and commerce, and thereby her navy and political power, beyond all competition of other nations, and always she accommodated her conduct to circumstances—using at one time and in one place liberal principles, at another, power or money—either to

raise freedom or to depress it, as it suited her. Even her measures against the slave trade are said to have originated from her interest, and gave her a pretext to prevent other nations' colonies from supplying themselves, whilst her own possessed already the necessary quantity."

### **Sovereignty of the Nation-State**

Today, we are forced to view the unsightly spectacle of a band of Republican extremists running around the country advocating the destruction of our Federal government by returning to the Confederate system of the primacy of "states' rights." Unlike these scoundrels, List understood the absolute necessity for intervention by the state for the benefit of society. In the second letter he writes: "The idea of national economy arises with the idea of nations. A nation is the medium between individuals and mankind."

Later in the same letter, List enumerates some of the responsibilities of the nation-state: "Government, sir, has not only the right, but it is its duty, to promote every thing which may increase the wealth and power of the nation, if this object cannot be effected by individuals. So it is its duty to guard commerce by a navy, because merchants cannot protect themselves; so it is its duty to protect carrying trade by navigation laws . . . agriculture and every other industry by turnpikes, bridges, canals, and railroads—new inventions by patent laws—so manufactures must be raised by protecting duties, if foreign capital and skill prevent individuals from undertaking them."

List insists that protectionism is a duty of the state, a fundamental responsibility of government to ensure the development of industry, without which, according to List, national interests would be left "to the direction of foreign nations and foreign laws."

The cruel lesson taught us today by the misery of life on the African continent is, that without the existence of the sovereign nation-state, no people will develop; progress is impossible. This concept, so eloquently embodied in the Preamble to the U.S. Constitution, is

one of America's great contributions to the rest of humanity. List echoes these ideas in his sixth letter:

"An individual only provides for his personal and family purposes, he rarely cares for others or his posterity; his means and views are restricted, rarely transgressing the circle of his private business; his industry is confined by the state of society in which he lives. A nation provides for the social wants of the majority of its members, as far as the individuals cannot satisfy these wants by their private exertions; it provides not only for the present but for future generations; not only for peace but for war; its views are extended not only over the whole space of land it possess, but over the whole globe."

### **Productive Power of Labor**

Contrary to Adam Smith and his follower Karl Marx, civilization has not prospered and grown to over five and one-half billion people based on the empty notion of the "exchange value" of commodities. No object has any inherent value outside of the level of the technologically bounded process of production for that potential population-density. Alexander Hamilton, in his "Report on the Subject of Manufactures" (1791), developed the notion of the productive powers of labor, and the use of artificial labor to improve the productivity of agriculture and industry in harmony. List continues the Hamiltonian train of thought in his fourth letter: "This object [political economy] is not to gain matter, in exchanging matter for matter. . . . But it is to gain productive and political power . . . . They [Smith and Say] treat, therefore, principally of the effects of the exchange of matter, instead of treating productive power."

List advances the concept of productive power against the notion of "exchange value," by dividing capital into three interrelated classes: "a capital of nature, a capital of mind, and a capital of productive matter—and the productive powers of a nation depend not only upon the latter, but also, and principally, upon the two former." Later on, in the fourth letter, List articulates one of the most fundamental principles of

political economy: "It is not true that productive power of a nation is restricted by its capital of matter. Say and Smith having only in view the exchange of matter for matter, to gain matter, ascribe to the matter an omnipotent effect which it has not. Greater part of the productive power consists in the intellectual and social conditions of the individuals, which I call capital of the mind."

### **Two Views of Man**

Many people who mindlessly genuflect before Adam Smith, that false deity of free trade, do not know that he was not a student of economics. In reality, Smith was a fanatical follower of the most radical form of British Liberal philosophy. He shared with Thomas Hobbes, Francis Bacon, Bernard de Mandeville, John Locke, and David Hume, to name a few, the deep-seated prejudice, that the nature of man is akin to that of the beasts, determined by instincts of hunger, thirst, sex, greed, and the unsuitable desire for pleasure. It is this ideological view of man as a degraded, mindless animal, guided by Smith's satanic "Invisible Hand," and nothing else, which is the ugly source for all of Smith's so-called economic writings.

List, like all of the thinkers belonging to the American System school, adamantly opposed this British-oligarchical conception of man. They knew that real economic wealth emanates from the mind, not from one's bodily urges. It is only through the development of "intellectual capital," that improvements and advancements for mankind are made. In Liebig's Commentary, he quotes List on this very subject: "The present condition of nations is a consequence of an accumulation of all discoveries, inventions, improvements, perfections and efforts of all generations which have lived before us. They form the capital of mind of all living humanity, and each nation is only productive to the degree to which it assimilates these achievements of earlier generations and knows how to enhance them with its own achievements."

Lyndon LaRouche, who embodies and transcends the best of the American System school of thought, takes direct aim in the Epilogue at the core of Smith's bestial notion of man: "[N]o variety of higher ape known or conceivably comparable to mankind could have attained the population of more than several millions individuals. . . ."

Where in any of the axioms of free trade, or in Smith's view of the animal-like behavior of human nature, is there any location of that, which is responsible for the phenomenal growth of human population over the last five hundred years? Nowhere in Smith's matrix of free trade ideas, is the quality of creative mentation, which is the unique governing quality of human behavior, to be found. All of Smith's gobbledygook can be boiled down to the practice of making money, i.e., making a "profit" by robbing

your neighbor; "buy low to sell dear."

In LaRouche's conclusion, he addresses the actual source of new wealth—real profit for society: "The central principle of both economic science and a science of history is the creative principle of cognition, by means of which the individual person may be developed to generate, to impart, and to receive those mental acts by means of which valid axiomatic-revolutionary discoveries in principles of art and science are made available for human knowledge and practice." Only a human being endowed with potential for creative reason can "add" new wealth to the economic process. Only through the input of human beings can "more" come out of the system of production than is put into it.

Thus, one of the biggest frauds in modern history has been the acceptance of

the free trade dogma, a theory which cannot account for the actual progress of the human race, because it fails even to recognize the role of the creative powers of the human mind; what List refers to as "intellectual capital" or "capital of the mind."

It is no exaggeration to state, that it is precisely because so many silly people still worship at the altar of free trade, that our planet is in the mess it is in today. It may only be under the force of the onrushing implosion of the banking and monetary system, that the fraudulent doctrine of free trade is relegated to the "dustbin of history." Under conditions of such a conjunctural crisis, responsible leaders who wish to have their nations survive, will be compelled to turn to List's American System, which is uniquely represented today by Lyndon LaRouche.

—Lawrence K. Freeman

## Beethoven, 'Da Capo'

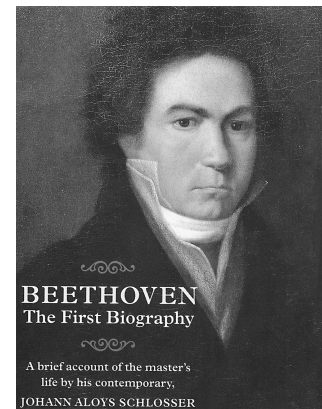
Only a few months after Ludwig van Beethoven's death in Vienna on March 26, 1827, this little book—which reads more like a pamphlet than a full volume—was published in Prague and began circulating throughout Europe and America. Little is known about its author, except that he was an enthusiastic admirer of the great composer, and that he was probably not acquainted with him personally. The material he hastily gathered, was taken from a mixture of published musical lexicons, and conversations with some of Beethoven's closest friends. In Schlosser's preface, he is also quite open about an ulterior motive for bringing out the book; namely, to raise funds for the erection of a monument to Josef Haydn, with whom Beethoven had studied during the early 1790's.

But although the author's haste introduced some minor factual errors about Beethoven's career, these are far outweighed by the freshness and lack of deliberate falsification and distortion which characterized many other biographies to follow, such as the one by the vain Anton Schindler, who had func-

tioned as Beethoven's amanuensis in his final years. Not surprisingly, Schindler, in a letter to Ignaz Moscheles, described Schlosser's book as "a highly wretched biography."

The bulk of Schlosser's account of Beethoven's early education, for example, properly places emphasis on the influence of Johann Sebastian Bach (whose biography he also sketches in an extended footnote). Later, Schlosser remarks that, "Those who admire Bach comprehend Beethoven most readily, for the two are kindred spirits."

Schlosser's biography is also unencumbered by the Romantic, "Clockwork Orange"-like image of the morally depraved but brilliant artist—the image that movie-goers have been subjected to in such perversions as "Amadeus" and the recent "Immortal Beloved." Instead, Schlosser argues that, "Great as Beethoven's art was, *his heart was yet greater*. It was filled with an ineradicable loathing of hypocrisy, obsequiousness, vanity, and avarice. . . . Those who shared these feelings readily recognized him as a man in the fullest sense. His attachment to his family was one of his



**Beethoven:  
The First Biography**  
by Johann Aloys Schlosser,  
edited with an Introduction and  
Notes by Barry Cooper,  
translated from the German  
by Reinhard G. Pauly  
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most attractive qualities." [Emphasis added] This evaluation flies in the face of every other published account of Beethoven's life—including, incidentally, the "authoritative" biography published later in the Nineteenth century by Alexander Wheelock Taylor.

Perhaps the most endearing part of the book, is where Schlosser discusses